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HOUSE BILL 644

**47TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2005**

INTRODUCED BY

Daniel R. Foley

AN ACT

RELATING TO TAXATION; DECREASING A TAX RATE ON THE SEVERANCE OF  
NATURAL GAS TO THE SAME TAX RATE IMPOSED ON THE SEVERANCE OF  
OIL.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

Section 1. Section 7-31-4 NMSA 1978 (being Laws 1959,  
Chapter 54, Section 4, as amended) is amended to read:

"7-31-4. PRIVILEGE TAX LEVIED--COLLECTED BY  
DEPARTMENT--RATE--INTEREST OWNER'S LIABILITY TO STATE--INDIAN  
LIABILITY.--

A. There is levied and shall be collected by the  
department a privilege tax on the business of every person  
severing products in this state. The measure of the tax shall  
be:

(1) on oil and on oil and other liquid

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1 hydrocarbons removed from natural gas at or near the wellhead,  
2 except as provided in Paragraphs (4) and (5) of this  
3 subsection, three and fifteen hundredths percent of the taxable  
4 value determined pursuant to Section 7-31-5 NMSA 1978;

5 (2) on carbon dioxide, three and fifteen  
6 hundredths percent of the taxable value determined pursuant to  
7 Section 7-31-5 NMSA 1978;

8 (3) on natural gas, except as provided in  
9 Paragraphs (6) and (7) of this subsection, [~~four~~] three and  
10 fifteen hundredths percent of the taxable value determined  
11 pursuant to Section 7-31-5 NMSA 1978;

12 (4) on the oil and on other liquid  
13 hydrocarbons removed from natural gas at or near the wellhead  
14 from a stripper well property, one and fifty-eight hundredths  
15 percent of the taxable value determined pursuant to Section  
16 7-31-5 NMSA 1978, provided that the average annual taxable  
17 value of oil was equal to or less than fifteen dollars (\$15.00)  
18 per barrel in the calendar year preceding July 1 of the fiscal  
19 year in which the tax rate is to be imposed;

20 (5) on the oil and on other liquid  
21 hydrocarbons removed from natural gas at or near the wellhead  
22 from a stripper well property, two and thirty-six hundredths  
23 percent of the taxable value determined pursuant to Section  
24 7-31-5 NMSA 1978, provided that the average annual taxable  
25 value of oil was greater than fifteen dollars (\$15.00) per

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1 barrel but not more than eighteen dollars (\$18.00) per barrel  
2 in the calendar year preceding July 1 of the fiscal year in  
3 which the tax rate is to be imposed;

4 (6) on the natural gas removed from a stripper  
5 well property, [~~two~~] one and fifty-eight hundredths percent of  
6 the taxable value determined pursuant to Section 7-31-5 NMSA  
7 1978, provided that the average annual taxable value of natural  
8 gas was equal to or less than one dollar fifteen cents (\$1.15)  
9 per thousand cubic feet in the calendar year preceding July 1  
10 of the fiscal year in which the tax rate is to be imposed; and

11 (7) on the natural gas removed from a stripper  
12 well property, [~~three~~] two and thirty-six hundredths percent of  
13 the taxable value determined pursuant to Section 7-31-5 NMSA  
14 1978, provided that the average annual taxable value of natural  
15 gas was greater than one dollar fifteen cents (\$1.15) per  
16 thousand cubic feet but not more than one dollar thirty-five  
17 cents (\$1.35) per thousand cubic feet in the calendar year  
18 preceding July 1 of the fiscal year in which the tax rate is to  
19 be imposed.

20 B. Every interest owner, for the purpose of levying  
21 this tax, is deemed to be in the business of severing products  
22 and is liable for this tax to the extent of his interest in the  
23 value of the products or to the extent of his interest as may  
24 be measured by the value of the products.

25 C. Any Indian tribe, Indian pueblo or Indian is

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1     liable for this tax to the extent authorized or permitted by  
2     law."

3             Section 2.   TEMPORARY PROVISION--APPLICABILITY.--The tax  
4     rates imposed by Section 1 of this act apply to oil and natural  
5     gas produced on and after July 1, 2005.

6             Section 3.   EFFECTIVE DATE.--The effective date of the  
7     provisions of this act is July 1, 2005.

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